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Admiral Robert B. Carney
Chief of Naval Operations
Department of the Navy
Washington 25, D. C.

Dear Admiral Carney:

Your Office forwarded by endorsement a letter from Admiral Holloway, Chief of Naval Personnel, which proposed to bill the Central Intelligence Agency for pay and allowances of certain personnel for the period during which they are receiving naval training as officers prior to returning to the Central Intelligence Agency. The letter referred to an agreement on 21 November 1952 between the Secretary of Defense and the Director of Central Intelligence on reimbursement to the military services for pay and allowances of officer personnel assigned or detailed to the Central Intelligence Agency for activities other than paramilitary.

The agreement referred to was a recognition of the benefits derived by the Department of Defense and the Central Intelligence Agency from the services of military personnel in various capacities. Since those assisting the Central Intelligence Agency in a paramilitary capacity did so in the interests of the military services, no reimbursement by the Central Intelligence Agency was requested. Since those assisting in assignments or details in other capacities did so at the request of the Central Intelligence Agency and for its benefit, the Agency agreed that reimbursement for their services was proper and should be budgeted for by it.

The immediate problem concerning the training of certain Central Intelligence Agency junior personnel by the Navy was not within the contemplation of this agreement. We believe that reimbursement in this case should be determined on the same considerations on which reimbursement for other military personnel rests, i.e., the benefits derived by the respective departments or agencies. The naval training of these junior officials of the Agency was initiated as a career development matter which would benefit the Government as a whole but which was a part of the career program of the Central Intelligence Agency. It was designed to instill experience and qualities which in the long run would make them better employees if they stayed with the Agency. It was and is our belief, however, that this program is of definite benefit to the Navy both during the training period and for the future.

Upon completion of Officer Candidate School the officers involved serve the Navy in regular duty capacities under complete Navy control. Upon termination of this duty they become members of the Navy Reserve. It is our hope that upon release from active Naval service each one will return to a civilian assignment in this Agency. There is, however, no guarantee of such continued civilian employment. Each, however, will presumably continue in his reserve status and to that extent will be available as a trained officer for further naval service. It appears, therefore, that the Navy benefits more directly from the period of active duty training of these officers and their long-range status as reservists than does the Central Intelligence Agency from the intangible addition to their qualifications if and when they return as civilians.

After full consideration it is our opinion that the value of this training is not sufficient to this Agency to warrant continuation of the program if the proposed reimbursement were required. Based upon the above reasoning we did not consider this program as being within the basic reimbursement agreement and, consequently, have made no budgetary provision therefor. Since we greatly appreciate the cooperation of the Navy in this training program and believe it is of value to the Government in general and to the Navy in particular, we hope that you can reconsider the matter and continue it without the requested reimbursement. If you wish any further information or discussion, would you have your representative get in touch with Colonel Matthew Baird, Director of Training for the Central Intelligence Agency.

Sincerely,

Allen W. Dulles
Director

Rewritten: A-DDA/LRH:djm(4 Jan 54)

O&I-Addressee

2-DCI

2-DD/A *Chrono + Sub*

1-OTR

1-Comptroller

1-Personnel Director

2-C/MPD

1-Admin. Files

CONCUR:

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Acting Deputy Director (Admin.)

Director of Training